

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7505

BILL NUMBER: HB 1925

DATE PREPARED: Jan 13, 2001

BILL AMENDED:

SUBJECT: Employee Health Benefits for Local Governmental Units.

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**FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL**

IMPACT: State & Local

Summary of Legislation: The bill allows active and retired employees of local governmental units to participate in a state employee health benefit plan. The bill requires the State Personnel Department to provide a monthly enrollment period for local governmental units that elect to participate in a state employee health benefit plan. The bill also prohibits the state from paying any part of the cost of the coverage of local governmental units' employees. The bill provides that the State Personnel Department may adopt rules specifying minimum participation and contribution requirements for participation in a state employee health benefit plan.

Effective Date: July 1, 2001.

Explanation of State Expenditures: The decision to participate in a state employee health plan would be optional for a local governmental unit, including school corporations. The bill prohibits the state from paying any part of the cost of coverage for local governmental units that choose to participate in a state employee health plan. Presumably, local governmental units, and their employees and retired employees, would pay the same rates for coverage as the state and its employees and retired employees. Nevertheless, the bill potentially could increase the cost to the state of providing health benefits to state employees. A local governmental unit that chooses to participate in a state employee health plan may have an effect on the premiums of that plan depending upon (1) the health claims history of the employees of the local unit and (2) the relative size of that group. In particular, if the claims history of such employees suggests that they are a higher risk group than members of the state employee health plan, premiums of the plan could potentially increase. The extent of the increase would, in part, depend upon the size of the group joining the state health plan whose potential higher health care costs must be distributed among all members of the state health plan. By agreement with the state employees, the state agrees to pay 93.5% of any increase in the total premiums for both single and family coverage during the life of the agreement. Employees will pick up the remaining 6.5% of any increase.

Explanation of State Revenues:

Explanation of Local Expenditures: Local governmental units and school corporations could experience a reduction in the cost in the employer's share of premium costs as well as a reduction in the administration of their employee health benefit plans if they elect to participate in a state employee health plan. These savings are dependent on action by local governmental units and school corporations and would vary depending upon the claims risk of the local unit's employees relative to those already enrolled in the state employee health plan.

Explanation of Local Revenues:

State Agencies Affected: State Department of Personnel.

Local Agencies Affected: Local Governmental Units, School Corporations.

Information Sources: